

# HOUSE BILL No. 1162

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 36-1-15.

**Synopsis:** Limitation on school capital leases. Prohibits a school corporation from entering into debt and lease obligations that in the aggregate exceed 10% of the latest adjusted value of taxable property determined for the school corporation immediately preceding the incurring of the obligations.

**Effective:** May 20, 2005 (retroactive).

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January 6, 2005, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

## HOUSE BILL No. 1162

A BILL FOR AN ACT to amend the Indiana Code concerning education finance.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 36-1-15-2 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE MAY 20, 2005 (RETROACTIVE)]: Sec. 2.  
3 It is the intent of the general assembly that:

4 (1) the amount of debt incurred by a political subdivision after  
5 February 28, 2001, not exceed, in the aggregate, the amount of  
6 debt that the political subdivision could have incurred under:

7 ~~(1)~~ (A) Article 13, Section 1 of the Constitution of the State of  
8 Indiana; and

9 ~~(2)~~ (B) any statute imposing an assessed value limitation on  
10 the aggregate amount of bonds that a political subdivision may  
11 issue;

12 if property were assessed at thirty-three and one-third percent  
13 (33.33%) of true tax value; and

14 (2) capital leases entered into by school corporations should  
15 be treated as long term obligations that need to be controlled  
16 in the same manner as debt.

17 SECTION 2. IC 36-1-15-2.3 IS ADDED TO THE INDIANA CODE



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AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE MAY 20, 2005 (RETROACTIVE)]: **Sec. 2.3. As used in this chapter, "capital lease" refers to a lease that would be classified as a capital lease by the lessee under generally accepted accounting principles, if the lessee were a school corporation and Financial Accounting Standards Board Statement of Accounting Standards Number 13 were to be applied to the school corporation.**

SECTION 3. IC 36-1-15-2.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE MAY 20, 2005 (RETROACTIVE)]: **Sec. 2.5. As used in this chapter, "debt" refers to debt subject to the limitations in Article 13, Section 1 of the Constitution of the State of Indiana.**

SECTION 4. IC 36-1-15-2.8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE MAY 20, 2005 (RETROACTIVE)]: **Sec. 2.8. As used in this chapter, "obligated" means to have an outstanding:**

- (1) debt;**
- (2) liability for capital lease obligations; or**
- (3) both debt and liability for capital lease obligations.**

SECTION 5. IC 36-1-15-2.9 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE MAY 20, 2005 (RETROACTIVE)]: **Sec. 2.9. For purposes of this chapter, the amount of a school corporation's liability for capital leases is the amount that would need to be recorded as a liability under generally accepted accounting principles if Financial Accounting Standards Board Statement of Accounting Standards Number 13 were applied to the school corporation.**

SECTION 6. IC 36-1-15-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MAY 20, 2005 (RETROACTIVE)]: **Sec. 6. (a) Subject to section 7 of this chapter, a political subdivision may not become indebted in any manner or for any purpose in an amount in the aggregate that exceeds two percent (2%) of the latest adjusted value of taxable property determined for the political subdivision immediately preceding the incurring of the indebtedness. However, if a statute limits the debt of a political subdivision to a percentage other than two percent (2%) of the value of taxable property in the political subdivision, the political subdivision may not become indebted in an amount that exceeds the percentage set by statute multiplied by the latest adjusted value of taxable property determined for the political subdivision immediately preceding the incurring of the indebtedness.**

**(b) Subject to section 7 of this chapter, a school corporation may not become obligated in any manner or for any purpose in an**

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amount in the aggregate that exceeds ten percent (10%) of the latest adjusted value of taxable property determined for the school corporation immediately preceding the incurring of the obligations.

SECTION 7. IC 36-1-15-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MAY 20, 2005 (RETROACTIVE)]: Sec. 7. A political subdivision may incur debt that exceeds the maximum amount allowed under ~~section 6~~ **section 6(a)** of this chapter **or obligations that exceed the maximum amount allowed under section 6(b) of this chapter**, as necessary, for the public protection and defense only:

(1) in time of war, foreign invasion, or other great public calamity; and

(2) upon petition of a majority of the property owners in number and value within the limits of the political subdivision.

The amount of the excess **debt that may be incurred under subdivision (2)** may not be greater than the amount specified in the petition.

SECTION 8. IC 36-1-15-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MAY 20, 2005 (RETROACTIVE)]: Sec. 8.

(a) Debt in excess of the maximum amount specified in ~~sections 6~~ **sections 6(a)** and 7 of this chapter is void.

(b) **Subject to subsection (c), obligations in excess of the maximum amount specified in sections 6(b) and 7 of this chapter are void.**

(c) **If, on May 20, 2005, a school corporation has obligations that in the aggregate exceed the maximum amount specified in sections 6(b) and 7 of this chapter, the outstanding obligations are not void under subsection (b). The obligations may be refunded or refinanced, as allowed by law, until the obligations are satisfied. However, the school corporation may not increase the total of its obligations and must, through the retirement of obligations in accordance with the terms of the debt and lease agreements, reduce its total obligations to comply with the maximum amount allowed under sections 6(b) and 7 of this chapter. Thereafter, subsection (b) applies to the school corporation.**

SECTION 9. [EFFECTIVE MAY 20, 2005 (RETROACTIVE)] (a) The definitions in IC 36-1-15 apply throughout this SECTION.

(b) A school corporation shall be treated as having a capital lease obligation on May 20, 2005, only if:

(1) the department of local government finance has approved the capital lease under IC 6-1.1-19-8 before May 21, 2005; or

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1           **(2) IC 6-1.1-19-8 does not apply and the school corporation**  
2           **and the lessor have taken the final steps necessary to form a**  
3           **binding lease contract.**  
4           **SECTION 10. An emergency is declared for this act.**

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